

EAST AYRSHIRE COUNCIL

CABINET 13 DECEMBER 2017

REGENERATION CAPITAL GRANT FUND PROJECTS AND KILMARNOCK ACADEMY COMMUNITY ASSET TRANSFER – PROGRESS UPDATE.

Joint report by the Depute Chief Executive and Chief Financial Officer Economy and Skills and the Depute Chief Executive: Safer Communities

PURPOSE

1. The purpose of this report is to (1) update Cabinet on the progress with various applications and approved projects under the Scottish Government's Regeneration Capital Grant Fund (RCGF), (2) obtain Cabinet approval to submit, on behalf of East Ayrshire Council, Stage 2 RCGF applications to the Scottish Government for 2018/19 for the Kilmarnock Academy Legacy Project and the Ochiltree Community Hub Project, and (3) seek approval to establish separate working partnerships between the Council and Centrestage Communities Limited and Ochiltree Community Hub to support the implementation and delivery of these projects. In addition this report seeks Cabinet approval of the precise boundaries of the ground to be transferred to Centrestage Communities Limited at Kilmarnock Academy.

BACKGROUND

2. To date there have been two successful RCGF bids by the Council in previous years; £1.3M for the Ingram Enterprise Centre, at 30-38 John Finnie Street, Kilmarnock and £0.92M (in partnership with Crossroads Community Hub Ltd) for a project on the site of the former school. The Enterprise Centre is currently under construction and is due to be completed in January 2018. The Crossroads Community Hub Ltd project was due to commence in February 2018. However, they have experienced difficulties in securing the full funding package and the start has been delayed.
3. Cabinet on the 23 August 2017 agreed:-
 - (i) to approve submission of the two Stage 1 applications to the Scottish Government's Regeneration Capital Grant Fund 2018/19 [for (1) the Kilmarnock Academy Legacy Project; and (2) the Ochiltree Community Hub];
 - (ii) to consider any financial and other implications for the Council through the Community Asset Transfer process and Best Value review which had arisen from the potential transfer of the Kilmarnock Academy complex to Centrestage and agreed that this work would be undertaken in parallel with any RCGF stage 2 work that would be required;
 - (iii) to remit to the Depute Chief Executive and Chief Financial Officer: Economy and Skills to update Cabinet on the progress of the applications;
 - (iv) Otherwise note the content of the report.
4. Cabinet on the 8 November 2017 agreed, in relation to the Kilmarnock Academy project:-

- (i) to note progress to date on the RCGF bid and to support the submission of the Stage 2 bid by 8 December 2017;
- (ii) to declare the Kilmarnock Academy site surplus to operational requirements;
- (iii) in principle, to the proposed disposal of the site to Centrestage Communities Ltd., subject to a further report to Cabinet for formal approval of the precise extent of the buildings and ground to be transferred, taking account of any current operational requirements of the Council as well as the business requirements of Centrestage Communities Ltd.;
- (iv) that due to the timescales involved for the submission of the Stage 2 bid to the RCGF, i.e. 8 December 2017, the recommendation at (i), above, be implemented in advance of any consideration by the Governance and Scrutiny Committee under the call-in process as to delay the decision could mean that the bid would not be submitted by the deadline; and
- (v) otherwise, to note the contents of the report.

THE INGRAM ENTERPRISE CENTRE AND CROSSROADS COMMUNITY HUB

5. In relation to the Ingram Enterprise Centre the Council has received the £1.3M contribution from the Scottish Government's Regeneration Capital Grant Fund. The grant provides a significant proportion of the total estimated capital project of £4.8M. The remainder totalling £0.7M has come from the Kilmarnock THI (partially funded by the HLF) and £2.8M has come from the Council's Capital Programme. The Ingram Enterprise Centre is due to be completed by the 25 January 2018.
6. The Ayrshire Food from Ayrshire Folk project which includes the Crossroads Community Hub, was due to commence in February 2018, to meet grant conditions and enable the £0.92M to be claimed from the Regeneration Capital Grant Fund prior to Scottish Government's deadline of the end of the 2017-18 financial year. However, as indicated above, Crossroads Community Hub Ltd. has experienced difficulty in securing the full funding package. They were unsuccessful in their bid for £0.75M from the Big Lottery Community Assets. They are currently investigating the potential to provide a smaller Community Hub building on the site using secured and available funds (approximately £1.3M including the RCGF amount).
7. On the basis of discussions with officials from Scottish Government it is clear that that they are very keen to support investment by the RCGF in East Ayrshire and support Crossroads Community Hub Ltd so that they can complete the project. Their aim is, if at all possible, to continue to invest the £0.92M in East Ayrshire provided the revised Crossroads Community Hub Ltd. project can demonstrate that it still meets the majority of the proposed outcomes detailed in the original application. To achieve these outcomes Scottish Government officials have proposed the following solution: they will amend their offer of grant to the Ayrshire Food from Ayrshire Folk project to the amount that Crossroads Community Hub Ltd will be able to expend on professional fees and project development prior to the end of January 2018 (currently estimated at £0.020M) and increase the grant to the Ingram Enterprise Centre by the residual amount (corresponding £0.90M) subject to the Council agreeing to contribute the equivalent sum (i.e. £0.90M) to the revised Ayrshire Food from Ayrshire Folk project in financial year 2018/19.

KILMARNOCK ACADEMY LEGACY PROJECT AND OCHILTREE COMMUNITY HUB

8. Cabinet at its meeting on 23 August 2017 agreed to submit two Stage 1 applications to the Scottish Government's Regeneration Capital Grant Fund 2018/19 for (1) the Kilmarnock Academy Legacy Project; and (2) the Ochiltree Community Hub.
9. The RCGF panel met on 4 October to consider the 80 applications that they had received. As the total grant request was far in excess of the £25m funding available, the Panel took the decision that only applications' that were clearly able to demonstrate that they were able to meet the specific criteria of the Fund, as well as its wider aims, would be invited to progress to stage 2.
10. The Panel recommended that both the Kilmarnock Academy Legacy Project, and the Ochiltree Community Hub be invited to stage 2 of the process. They also had the following specific feedback on the Kilmarnock Academy Legacy Project:-

"The stage 2 application should be clear on the elements of the project that RCGF grant will contribute to. It must be demonstrated that the project can be delivered within the timescale specified. It would be helpful to detail how the project will complement other RCGF projects and activity in Kilmarnock."
11. There was no specific feedback on the Ochiltree Community Hub. However the project steering group have been undertaking detailed site investigations and discussions with Scottish Water and have established that an additional £131,176 is required to undertake the proposed development. To date they have managed to secure an additional £40,000 from Cumnock & Doon Valley Minerals Trust and would therefore intend increasing the amount requested from RCGF by £91,176 to £352,478. Detailed applications will be submitted by the deadline of 8 December 2017.

WORKING PARTNERSHIP ARRANGEMENTS BETWEEN CENTRESTAGE COMMUNITIES LIMITED, OCHILTREE COMMUNITY HUB & EAST AYRSHIRE COUNCIL

12. The Regeneration Capital Grant Fund application process dictates that either Local Authorities or Urban Regeneration Companies or Special Purpose Vehicles created by Councils should be the lead applicants. Therefore, the Council requires to be lead applicant but can submit applications in partnership with community groups, similar to the arrangement previously approved by the Scottish Government in terms of the Ayrshire Food from Ayrshire Folk project. As the working partnership approach with both Centrestage Communities Limited and Ochiltree Community Hub has, to date, not been formalised, arrangements will need to be made to do so. This was anticipated in the report to Cabinet in August 2017. Formalising the working partnership will cement current working arrangements and will provide an example of good practice, within the context of the Scottish Government's Community Empowerment Bill and East Ayrshire Council's Transformation Strategy.
13. It is proposed that the relationship be formalised and organised via a Memorandum of Understanding (MoU) in terms of which the Council will confirm their intention to provide ongoing officer support for both projects and CCL & OCH respectively. The

MoU will make provision for (a) the appointment of a Council Elected Member or Members to the respective Project Boards and for (b) the Council to monitor and oversee the expenditure of any Government or other grant funding allocated. The formalisation of the relationship between the parties via a Memorandum of Understanding will enable the Council to contribute to the business of CCL & OCH without exposure to undue risk and further will meet the grant requirements laid down by the Scottish Government.

14. It is also proposed that a Project Support Group be established to enable Council officer support to be provided to CCL & OCH from a range of services. It is anticipated that officers will be drawn from Planning & Economic Development, Vibrant Communities, Legal and Financial Services, to work in partnership with CCL & OCH. The Project Support Group which will be led by Planning & Economic Development will also be tasked with undertaking monitoring of the projects as they are delivered on site to ensure all appropriate milestones and deadlines are met and appropriate financial policies and procedures are put in place and adhered to.

KILMARNOCK ACADEMY COMMUNITY ASSET TRANSFER

15. On 8 November 2017 Cabinet declared the Kilmarnock Academy site surplus to operational requirements and agreed, in principle, to the proposed disposal of the site to Centrestage Communities Ltd., subject to a further report to Cabinet for formal approval of the precise extent of the buildings and ground to be transferred, taking account of any current operational requirements of the Council as well as the business requirements of Centrestage Communities Ltd.
16. Following discussions it has been determined that a direct access road from London Road will be necessary as part of Centrestage Communities Ltd's proposed development. This provides an opportunity to create a public car park adjacent to London Road that would provide convenient and additional parking for the Palace Theatre, Grand Hall and Dick Institute, which may assist with the cultural regeneration of the wider area. To facilitate the wider regeneration, the Council propose to fund the development of the access road and car park. The Council will pass responsibility for the construction of the access road and car park to Centrestage, to a specification agreed by ARA, so they can ensure this does not impact adversely on their development timescale.
17. Following detailed discussions with Centrestage Communities Ltd. It is therefore proposed that as per the plan in Appendix 1:-
 - (I) the area bounded in red would be transferred to Centrestage Communities Ltd;
 - (II) the Council retains ownership of the area adjacent to London Road including the area of the proposed access road off London Road and the area for the development of a proposed public car park;
 - (III) Centrestage undertake to construct the access road off London Road and a link through to Braeside Street and the proposed public car park to a standard acceptable for adoption by ARA;
 - (V) the Council provide Centrestage Communities Ltd. a Licence to Occupy the area retained by the Council to allow for the Centrestage Communities Ltd to undertake the works required for the formation and installation of the access road;

- (VI) Centrestage Communities Ltd. will be granted all necessary servitudes and wayleaves over the area of the site retained by the Council;
- (VII) A section of Braeside Street will require to be stopped up by ARA/EAC.

COMMUNITY PLANNING/POLICY IMPLICATIONS

- 18. The proposed projects and asset transfer contributes towards the Council's Community Planning themes of Economy and Skills, Safer Communities and Wellbeing.
- 19. In accordance with the Council's Transformation Strategy, the development of the RCGF projects and required asset transfers fits with the Council's over-arching aspiration to transform its relationship with communities, thus strengthening and enabling our local people to work with the Council to deliver sustainable services and jointly respond to challenges in the future.
- 20. The proposed asset transfer is in accordance with the Council's Community Asset Transfer Framework as approved by Cabinet at the meeting on 7 October 2017.

LEGAL/HUMAN RESOUC E IMPLICATIONS

- 21. In relation to the Ingram Enterprise Centre and the Crossroads Community Hub the solicitor to the Council will need to agree terms with Scottish Government so that the proposed amendments to the RCGF grants can be made. Additionally a Memorandum of Understanding will require to be drawn up by the Council's Legal Services for both projects to regulate and specify partnership arrangements to make provision for (a) the appointment of a Council Elected Member or Members to the respective Project Boards and for (b) the Council to monitor and oversee the expenditure of any Government or other grant funding allocated.
- 22. There are no human resource implications for the Council.
- 23. All CAT applications have been assessed against the statutory criteria specified in the Disposal of Land by Local Authorities (Scotland) Regulations 2010. In order to be eligible for transfer, proposals must contribute to one of the purposes set out at paragraph 4 (2) of the Regulations namely (a) economic development or regeneration (b) health (c) social well-being or (d) environmental well-being.
- 24. It will be a specific condition of the Kilmarnock Academy disposal that the site will be used for the proposed Kilmarnock Academy Legacy Project. In order to protect the Council's position an economic development burden in favour of the Council restricting the future use of the site for the approved purpose for a period of 40 years will be incorporated (in terms of Section 45 of the Title Conditions (Scotland) Act 2003) in the disposition to be granted at settlement and/or an appropriate claw back security will be entered into allowing for recovery of the discounted element or part thereof in the event of the property being sold or an alternative planning use being authorised by the Council or its successors as planning authority.
- 25. The Solicitor to the Council will require to draw up the agreement in respect of the asset transfer and the development of the access road from London Road and public car park and will include any other conditions which may be deemed

necessary to protect the interests of the Council in respect of the asset transfer requests.

FINANCIAL/RISK IMPLICATIONS

26. In relation to the Ingram Enterprise Centre and the Crossroads Community Hub the Council will need to claim the full £0.92M RCGF grant prior to the 2017/18 year end, and on receipt of the addition RCGF funds for the Ingram Enterprise Centre the Council will need to allocate the equivalent sum to be claimed from the Council in relation to the revised Crossroads Community Hub in 2018/19.
27. There are no financial implications directly arising from the Stage 2 RCGF submissions. If the RCGF applications are successful the Council will need to act as recipient for the capital grant funding and will have to ensure compliance with any grant conditions. The establishment of a Project Support Group to assist with monitoring of project delivery will help to ensure that all appropriate milestones and deadlines are met and financial policies and procedures are in place and adhered to.
28. In relation to the asset transfer an independent valuation undertaken by Ryden's on behalf of the Council was used as the basis of agreeing the terms of the transfer of the whole property and site by disposal for a sum of £50,136. This price reflects 10% of the market value as outlined in the CAT Framework. The price will be reduced on a pro-rata basis reflecting the final agreed site boundary, if required. Any amendments will be agreed under the Scheme of Delegation. The Council will fund the development of access road from London Road, and the proposed public car park through a spend to save scheme based on the future annual income from the public car park. The cost of these works have been estimated by ARA as under £0.25M (excluding utility diversion costs) and the potential annual income from a 60 space car park in this location, slightly out with the town centre ARA have estimated at £25,000.
29. Managing Risks in Asset Transfer, A guide (Department for Communities and Local Government, June 2008) includes common risks identified by the Quirk Review (Making Assets Work - The Quirk Review of community management and ownership of public assets). Where appropriate the guidance has been carefully followed in order to mitigate any risk to the Council.
30. As the proposed asset transfer at the present time is considered to be of a high financial risk and is heavily dependent initially on capital grant funding being obtained, it is proposed that the transfer is subject to receipt of the RCGF monies or such other monies as necessary to enable the project to commence.

RECOMMENDATIONS

31. It is recommended that Cabinet:
 - (i) Agree to the amended RCGF offers for both the Crossroads Community Hub and the Ingram Enterprise Centre, based on the Scottish Government's proposal indicated in paragraph 7 of this report;

- (ii) Confirm their approval of the submission of the Stage 2 application bids to the Scottish Government's Regeneration Capital Grant Fund for the Kilmarnock Academy and Ochiltree Community Hub projects;
- (iii) Agree to the establishment of a Memorandum of Understanding between Centrestage Communities Limited, and Ochiltree Community Hub and the Council to support the implementation and delivery of the RCGF projects and delegate its preparation and signing to the Solicitor to the Council and the Head of Planning & Economic Development;
- (iv) Agree to remit to Council the appointment of a local member or members to the CCL & OCH project boards subject to agreement between the parties on numbers;
- (v) Remit the Depute Chief Executive and Chief Financial Officer, Economy and Skills to establish a Project Support Group to provide Council wide officer support from across a range of services, including Planning & Economic Development, Vibrant Communities, Legal and Financial Services, to work in partnership with CCL & OCH to deliver the RCGF projects;
- (vi) Remit the Depute Chief Executive and Chief Financial Officer, Economy and Skills to update Cabinet on the progress of the applications;
- (vii) Approve the precise extent of the Kilmarnock Academy buildings and ground to be transferred to Centrestage Communities Ltd on the terms detailed in paragraphs 17 & 28-30 and the plan in Appendix 1, and to delegate to the Solicitor to the Council the authority to include any other conditions which may be deemed necessary to protect the interests of the Council in respect of the asset transfer requests;
- (viii) Agree to fund the development of the access road from London Road and a proposed public car park from the future income from the public car park; and
- (ix) to otherwise note the contents of the report.

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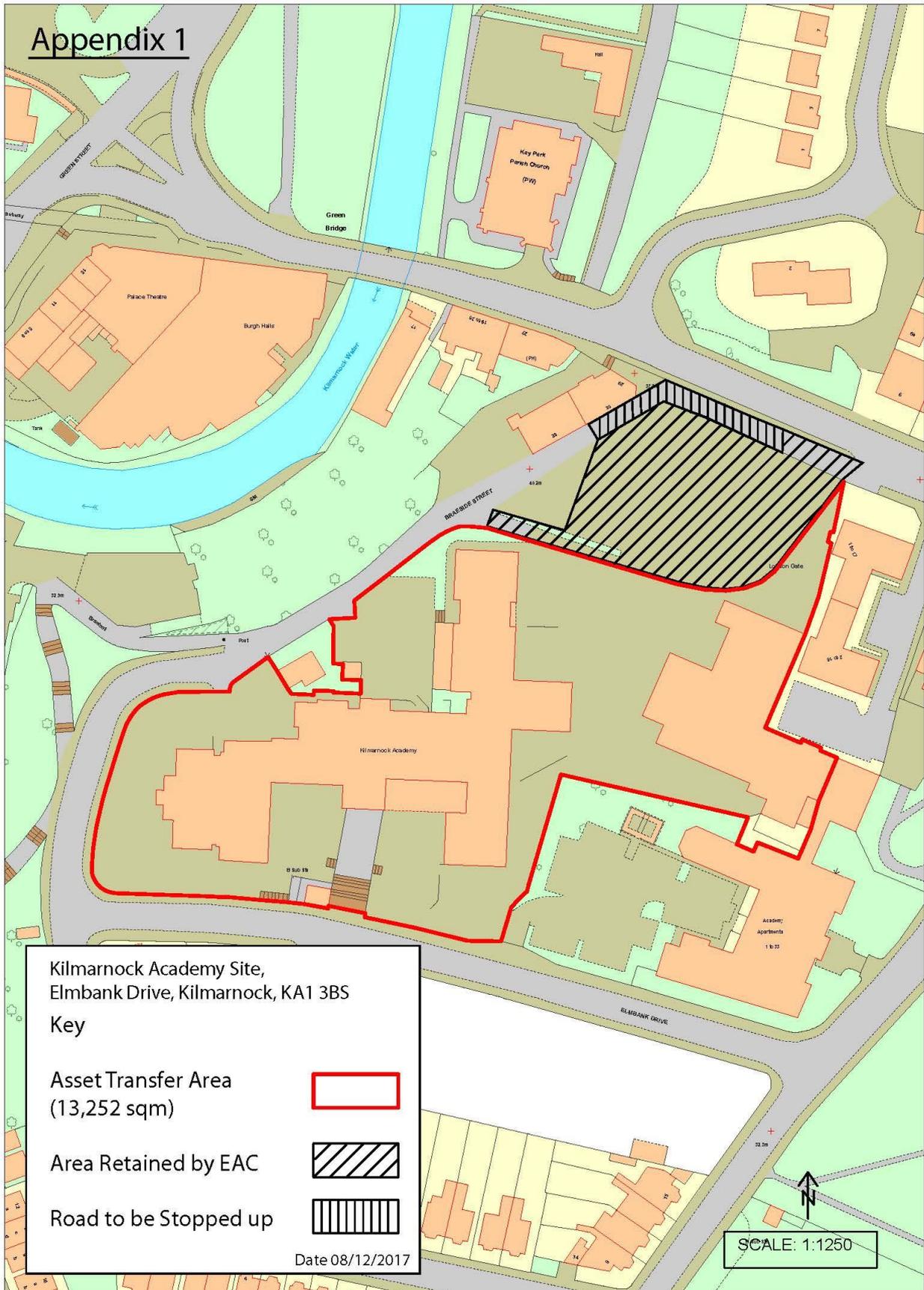
08 December 2017

LIST OF BACKGROUND PAPERS - Nil

Elected members or senior officers wishing further information should contact Karl Doroszenko, Development Planning and Regeneration Manager, on 01563 576751 or Angela Graham, Senior Estates Surveyor.

Implementation Officers: Michael Keane, Head of Planning and Economic Development (01563) 576767 & Angela Graham, Senior Estates Surveyor on 01563 576253.

Appendix 1



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